

RS/R FILES

DEPARTMENT OF STATE

Washington, D.C. 20520

Attention *Mrs. Mullett*
Keep this study together.
HP

S/S 4674

March 27, 1970

~~SECRET~~

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MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: FY 1970 Military Credit Sales Program for Iran

On March 17, 1970 the National Security Council Interdepartmental Group for Near East and South Asia (NSCIG/NEA) met and decided in favor of extending a Foreign Military Sales credit of approximately \$100 million to Iran this year. We intend to implement this decision as soon as FY 70 Foreign Military Sales authorization and appropriation legislation is enacted and signed.

In 1968 the Executive Branch undertook to support Iran's program of military modernization for FY 1968 and the ensuing five years by seeking Congressional authority and appropriations for necessary military credits. This undertaking was contingent on an annual review with the Government of Iran of its economic and military situation and requirements. This review has been undertaken by our Ambassador, Chief Armish/MAAG, and their staffs with the Iranian Prime Minister and appropriate members of his government. The aforementioned meeting of the NSCIG/NEA considered the results of this review and found that Iran is maintaining a satisfactory rate of economic progress, that it is credit worthy, and that the military items it wishes to obtain with approximately \$100 million of credit (primarily F-4's, radar and tank overhaul facilities) are appropriate.

The terms of the credit are to be negotiated, but the Interdepartmental Group agreed that the credit should be a mix of direct Foreign Military Sales credit and DOD guaranteed private credit in the range of 50-50 to 75 FMS to 25 private credit. It was also agreed that the blend of USG and private interest rates on this credit should result in an overall rate no less than the cost of money to the Treasury at the time the credit is negotiated. The repayment period, to be negotiated, is not to exceed ten years from date of disbursement.

The minutes of the NSCIG/NEA meeting are enclosed for your information.

Theodore L. Eliot Jr.
Theodore L. Eliot, Jr.
Executive Secretary

Enclosure:

Minutes of NSCIG/NEA meeting

NEA/IRN:WMMcClelland:mau
3/25/70, ext. 20574

Treasury - Mr. Crosswhite
Clearances: NEA/IRN - Mr. Miklos
NEA/ARP - Mr. Brewer (dr)
NEA/RA - Mr. Schiff (dr) NEA - Mr. Sisco
PM - Mr. Chapman (dr) NEA - Mr. Davies
OASD/ISA - Mr. Pranger (dr) *RJD*

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(subs)

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